

JUNE 27, 2013.

Hon. JOHN A. BOEHNER,
Speaker, House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: This is to notify you formally, pursuant to Rule VIII of the Rules of the House of Representatives, that I have received a subpoena, issued by the Superior Court of Clayton County, Georgia, requiring that I appear to testify in that court at the trial of a particular civil case.

After consultation with the Office of General Counsel, I have determined under Rule VIII that the subpoena (i) is not "a proper exercise of jurisdiction by the court," (ii) seeks information that is not "material and relevant," and/or (iii) is not "consistent with the privileges and rights of the House." Accordingly, I intend to move to quash the subpoena.

Sincerely,

CHANDRA HARRIS,
District Director for the Hon. David Scott.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 4 of rule I, the following enrolled bills were signed by Speaker pro tempore Thornberry on Friday, June 28, 2013:

H.R. 1151, to direct the Secretary of State to develop a strategy to obtain observer status for Taiwan at the triennial International Civil Aviation Organization Assembly, and for other purposes;

H.R. 324, to grant the Congressional Gold Medal, collectively, to the First Special Service Force, in recognition of its superior service during World War II;

H.R. 2383, to designate the new Interstate Route 70 bridge over the Mississippi River connecting St. Louis, Missouri, and southwestern Illinois as the "Stan Musial Veterans Memorial Bridge".

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess until approximately 5:30 today.

Accordingly (at 2 o'clock and 14 minutes p.m.), the House stood in recess.

□ 1730

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. PETRI) at 5 o'clock and 30 minutes p.m.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote incurs objection under clause 6 of rule XX.

Record votes on postponed questions will be taken later.

FINANCIAL COMPETITIVE ACT OF 2013

Mr. FINCHER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1341) to require the Financial Stability Oversight Council to conduct a study of the likely effects of the differences between the United States and other jurisdictions in implementing the derivatives credit valuation adjustment capital requirement, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1341

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Financial Competitive Act of 2013".

SEC. 2. STUDY OF IMPLEMENTATION OF BASEL III CAPITAL REQUIREMENTS RELATED TO DERIVATIVES EXPO- SURES.

(a) STUDY.—The Financial Stability Oversight Council shall conduct a study of the likely effects that differences between the United States and other jurisdictions in implementing the derivatives credit valuation adjustment (in this section referred to as "CVA") capital requirement would have on—

- (1) United States financial institutions that conduct derivatives transactions and participate in derivatives markets;
- (2) end users of derivatives; and
- (3) international derivatives markets.

(b) CONTENT.—The study required by subsection (a) shall include—

- (1) an assessment of—
 - (A) the extent to which there are differences in the approaches that the United States and other jurisdictions are taking regarding implementation of the CVA capital requirement, and the nature of the differences;

(B) the impact that the differences would have on—

- (i) United States financial institutions that conduct derivatives transactions and participate in derivatives markets, including their ability to serve end users of derivatives;

(ii) pricing and other costs of, and services available to, end users of derivatives in the United States and other jurisdictions; and

(iii) the competitiveness of United States financial institutions and United States derivatives markets, including the extent to which differences in the CVA capital requirement could shift derivatives business among jurisdictions; and

(C) the interaction between differing CVA capital requirements and margin rules; and

(2) recommendations regarding steps that the Congress and the Federal financial regulatory agencies that comprise the Financial Stability Oversight Council should take to—

(A) minimize any expected negative effects on United States financial institutions, derivatives markets, and end users[and];

(B) encourage greater international consistency in implementation of internationally agreed capital, liquidity, and other prudential standards[]; and

(C) ensure that the Financial Stability Oversight Council fulfills its statutory mandate to identify risks and respond to emerging threats to financial stability.

(c) REPORT.—No later than 90 days after the date of the enactment of this Act, the Financial Stability Oversight Council shall submit a written report containing the results of the study to the Chairman and ranking minority member of the Committees on Agriculture and Financial Services of the

House of Representatives, and the Chairman and ranking minority member of the Committees on Agriculture, Nutrition, and Forestry, and Banking, Housing, and Urban Affairs of the Senate.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Tennessee (Mr. FINCHER) and the gentlewoman from California (Ms. WATERS) each will control 20 minutes.

The Chair recognizes the gentleman from Tennessee.

GENERAL LEAVE

Mr. FINCHER. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks and submit extraneous materials for the RECORD on H.R. 1341, as amended, currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. FINCHER. Mr. Speaker, I yield myself such time as I may consume.

I want to thank Chairman JEB HENSARLING, Chairman FRANK LUCAS, and Chairman SCOTT GARRETT for working with both Congressman DAVID SCOTT and me to bring H.R. 1341 to the floor for consideration today.

I am pleased that we are considering H.R. 1341, the Financial Competitive Act of 2013. Mr. SCOTT and I have worked in a bipartisan manner to move this measure forward to ensure America remains competitive in the global marketplace. We need folks around the world to know America is open for opportunity, advancement, and upward mobility. In this country, we promote opportunity, not unfair regulations that punish business and kill jobs here. I introduced the Financial Competitive Act with my friend Mr. SCOTT for one reason—to ensure the law of unintended consequences does not place America at a disadvantage globally.

Our bill simply requires the Financial Stability Oversight Council to conduct a study of the impacts implementing the credit valuation adjustment capital requirement, or CVA, will have on the U.S. consumers, end users, and U.S. financial institutions. This study is in response to the recent Basel 3 Accord, which is a global regulatory standard for capital requirements for banks.

Unfortunately, European Union Basel 3 regulators decided to exempt their own European banks from complying with certain provisions of Basel 3. Specifically, European regulators have decided to exempt transactions with sovereign pension funds and corporate counterparties, which are also exempt from clearing obligations from CVA-risk-weighted assets. This means European banks will not have to put up capital like American banks.

I have some serious questions about the impact the European exemption will have on U.S. financial institutions, consumers, and the larger U.S. economy. To me, this exemption will provide a significant financial and business advantage to European banks, European customers, and European end

users at the expense of American business, banks, and end users.

Mr. SCOTT and I are not alone. Canada recently announced it will delay its CVA capital requirement for 1 year even though it implemented the rest of the Basel 3 package on schedule. Canada's decision to delay the implementation of the CVA requirement was simple. It was driven by concerns that Canadian banks would be at a competitive disadvantage because of the European CVA exemption. U.S. financial institutions and consumers share those same concerns and will be competitively disadvantaged, which will affect how these institutions serve consumers and the derivatives business as well as the commercial loan business.

Our bill will clarify the impact the CVA exemption for European financial institutions will have on the U.S. economy. The U.S. economy can't afford to wait while Europe takes valuable market share away from U.S. companies. If the U.S. doesn't act, this disadvantage could potentially cost the U.S. economy billions of dollars and lead to jobs moving overseas.

It's simple: this bill is about America versus Europe. I urge you to support me in passing the Financial Competitive Act in order to ensure the law of unintended consequences doesn't place U.S. consumers, end users, and financial institutions at a disadvantage.

I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield myself such time as I may consume.

Just last week, the government made an important step towards repairing our financial system after the worst financial crisis since the Great Depression. The Federal Reserve adopted final rules implementing Basel 3, including new capital requirements intended to bolster capital throughout the financial system. As losses mounted during the financial crisis, the woefully inadequate capital cushions at banks and others nearly brought our entire economy to a halt.

I also appreciate that the bank regulators have taken a commonsense approach, for which I had strongly advocated, related to community banks, including the treatment of residential mortgages. I applaud the banking regulators for finalizing these critical rules, which, along with the other Dodd-Frank reforms, will create the conditions for a robust and resilient financial sector.

This legislation before us today, H.R. 1341, requires the Financial Stability Oversight Council, or FSOC, to conduct a study of the potential effects of any differences between the U.S. and other jurisdictions' implementation of one aspect of the Basel 3 Accords—the credit valuation adjustment capital requirement related to derivatives transactions. The Basel signatory countries rightly agreed that banks should hold capital against the possibility that their counterparties, be they airlines or other banks, would default.

However, despite agreeing to do so under Basel 3, the European Union has

made a preliminary decision to exclude the credit valuation adjustment from the calculation of European banks' capital requirements. As a result of the EU dropping this requirement, some U.S. banks think that they may be disadvantaged relative to their international counterparts.

Under the bill, the FSOC will study these and other differences between the regulators' implementation of this requirement. I agree that it is important for U.S. regulators to ensure that the way by which the CVA is calculated for domestic financial institutions includes an appropriate methodology that will not inadvertently create an unlevel playing field relative to foreign competitors. At the same time, we must be mindful not to engage in a global race to the bottom when it comes to capital requirements for our largest, most globally interconnected financial institutions. After all, the strength of the U.S. financial system is and will be based on its stability and transparency.

Importantly, during consideration of the bill, Mrs. BEATTY of Ohio added language balancing the study's scope. As a result, the FSOC study will also consider the effects that failing to implement the CVA would have on the stability of U.S. financial markets in a period of market stress as well as how the regulators are fulfilling their statutory mandate to respond to emerging threats to financial stability.

With the addition of this language, the bill's study now balances not just the implications for derivatives market participants of this specific capital charge but also the effects on our economic stability. Undercapitalized derivatives exposures were one of the major drivers of the 2008 financial crisis. Market participants should hold capital against the risk of a counterparty defaulting or entering bankruptcy.

We can certainly consider how the implementation of the CVA could best be accomplished; but, again, we cannot engage in a global race to the bottom when it comes to capital rules. It is my hope that the FSOC will use the findings from this study to urge the other global regulators to expeditiously adopt standards that are as strong as ours.

I yield back the balance of my time.

Mr. FINCHER. Mr. Speaker, I urge the passage of H.R. 1341, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Tennessee (Mr. FINCHER) that the House suspend the rules and pass the bill, H.R. 1341, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Mr. FINCHER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further pro-

ceedings on this motion will be postponed.

AUDIT INTEGRITY AND JOB PROTECTION ACT

Mr. HURT. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1564) to amend the Sarbanes-Oxley Act of 2002 to prohibit the Public Company Accounting Oversight Board from requiring public companies to use specific auditors or require the use of different auditors on a rotating basis, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1564

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Audit Integrity and Job Protection Act".

SEC. 2. LIMITATION ON AUTHORITY RELATING TO AUDITORS.

Section 103 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7213) is amended by adding at the end the following:

"(e) LIMITATION ON AUTHORITY.—The Board shall have no authority under this title to require that audits conducted for a particular issuer in accordance with the standards set forth under this section be conducted by specific registered public accounting firms, or that such audits be conducted for an issuer by different registered public accounting firms on a rotating basis."

SEC. 3. STUDY OF MANDATORY ROTATION OF REGISTERED PUBLIC ACCOUNTING FIRMS.

(a) STUDY AND REVIEW REQUIRED.—The Comptroller General of the United States shall update its November 2003 report entitled "Study on the Potential Effects of Mandatory Audit Firm Rotation", and review the potential effects, including the costs and benefits, of requiring the mandatory rotation of registered public accounting firms. In addition, the update shall include a study of—

(1) whether mandatory rotation of registered public accounting firms would mitigate against potential conflicts of interest between registered public accounting firms and issuers;

(2) whether mandatory rotation of registered public accounting firms would impair audit quality due to the loss of industry or company-specific knowledge gained by a registered public accounting firm through years of experience auditing the issuer; and

(3) what affect the Sarbanes-Oxley Act of 2002 has had on registered public accounting firms' independence and whether additional independence reforms are needed.

(b) REPORT REQUIRED.—Not later than 1 year after the date of enactment of this Act, the Comptroller General shall submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the results of the study and review required by this section.

(c) DEFINITION.—For purposes of this section, the term "mandatory rotation" refers to the imposition of a limit on the period of years in which a particular registered public accounting firm may be the auditor of record for a particular issuer.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Virginia (Mr. HURT) and the gentleman from California (Ms. WATERS) each will control 20 minutes.